Lloyds Bank Limited

MONTHLY REVIEW

FEBRUARY 1933

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Lloyds Bank Limited Monthly Review

New Series—Vol. 4 | February, 1933 | No. 36

**** The Bank publishes from time to time in this Monthly Review signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

The British Railway Problem

By Norman Crump

THE present plight of the four great British railways is too well known to need any explanation. It is illustrated in the dividend records of the past few years, in the low levels at which their stocks are quoted on the London Stock Exchange, in the dwindling traffic returns, and last but not least in the evidence given recently by the Companies' representatives before the National Wages Board. What is far more to the point to-day is firstly to consider how the railways have been forced into their present position, and secondly to discuss what action is needed to restore their fortunes.

The current difficulties of the railways arise from two main causes. The first of these is the general trade depression, and it is noticeable that the losses of the two railways serving the industrial North have been heavier in proportion than those of the remaining two. Here there is little pertinent to be said, for it must be admitted that so far the railways have at least been able to cover their debenture interest, which is more than some industrial undertakings have been able to do; and in any case, like the remaining industries of the country, all the railways can do is to hold on until trade improves, and in the meantime do all they can to improve their efficiency.

The other main cause of their difficulty is the rapid development of road transport since the war, and it is to this vexed question that I shall mainly address myself. An examination of the railway-road problem can naturally be subdivided under three main headings, namely: costs, working conditions, and safety. The first two were considered last year by the Salter Conference, and definite recommendations were made. The third has not yet been specially considered from the point of view of comparing road and railway conditions, but in my opinion it is of equal importance.

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Cost

The *cost* of both road and rail transport is divided into two main parts. First there is the running cost, which in the case of the railways includes fuel, water and lubricants for the train, the wages of the driver, fireman and guard, and also all charges for provision, maintenance and renewal of locomotives and rolling-stock, and in the case of road transport, the cost of fuel and lubricants, the wages of the driver and the provision, maintenance and renewal costs of the vehicle. Next come overhead costs, which for the railways include the construction, maintenance and signalling of the permanent way, the full cost of stations, offices and all necessary works, and office and other general expenses; while for road transport, they include the construction and maintenance of the road, an appropriate share of the cost of the police, and also office and general expenses.

Now both the railway companies and road transport undertakings pay their own running costs and general and office expenses, but whereas the railway companies also have to pay the remainder of their overhead expenses, the construction, maintenance and policing of the roads is met largely out of public funds, and directly do not cost their users a penny.* On the other hand, the road transport undertakings contribute to the general revenue by payment of annual licence fees and the petrol duty, while both the railway companies and road transport undertakings make further contributions as ratepayers. The position is further complicated by the fact that the licence duty on private motor cars is regarded as being in

* A minor exception consists of subscriptions paid to the two big motorists' organizations, who through their scouts help to control and signal road traffic.

part a sumptuary tax, a portion of the receipts being used for the general revenue of the country; while the petrol duty now in force was imposed originally for the purpose of augmenting general revenue as distinguished from the money allocated by the Exchequer to the Road Fund. In fact, the purpose of the first petrol duty of 4d. per gallon was to finance the Government scheme for assisting productive industries by relief from local taxation, and its imposition was justified at the time by the argument that it was a tax upon imported fuel. Finally, whereas the railways are private property, the roads are open to all, and are used by many other people besides passenger and goods road transport undertakings.

This is roughly the tangle which the Salter Conference set out to solve. The ultimate objective is, of course, obvious. It is that the full equitable cost of road construction, maintenance, and policing should fall upon the users of the roads, in due proportion to use and likely wear and tear in each case; or, in other words, that road users should pay for the roads just as the railway companies pay all the costs of their own permanent way and works. Only so can railway and road transport be placed upon a fair competitive basis, so far as track provision and upkeep are concerned.

The present finance of road construction and maintenance is roughly as follows: According to the Salter Report, it would be fair to ask owners of all kinds of mechanical transport, both private and commercial, to find an annual sum of £60,000,000 for the cost of the roads. In actual fact they find £59,000,000, consisting of £32,000,000 from the petrol duty and £27,000,000 from licences, but of the last sum £5,000,000 is regarded as a sumptuary tax upon private motor cars to be appropriated in aid of the general revenue. This means that a net £54,000,000 is, or should be, available for the upkeep of the roads under the present system of motor and spirit duties.

Now all the money initially goes into the Exchequer, but £22,000,000 (i.e., the balance of the licence duties) is re-issued to the Road Fund. From the Road Fund, grants are made according to a prescribed scheme to the local authorities, for it is these last who are directly responsible for the whole cost of the roads. The actual annual cost of the roads may be placed at £66,000,000. As stated, £22,000,000 is made good by the Road Fund; the remaining £44,000,000 is provided by the rate-payers.

These figures are summarized in the following account, which is self-explanatory :—

Receipts.	£ mill.	Expenditure.	£ mill.
From motor users—		Spent on roads	66
Licence duties	27	Absorbed by Exchequer—	
Petrol duty	32	(a) Sumptuary tax	5
From rate-payers	44	(b) Balance	32
	103		103

This brief summary raises a question, which, though outside the terms of reference of the Salter Conference, may be the first key to the problem. This question is whether the real villain of the piece is not the Exchequer, and the real victim the rate-payer, or, put it in a different form, whether road transport is a proper subject for general taxation and road costs a proper charge upon the rates. In fact, now that long-distance and organized road transportation systems, in direct competition with the railways, are an established fact, I would go further than the Salter Conference could, and say that the first need is to disentangle the taxation collected specifically from road users from the general revenue of the country.

If the whole of the petrol duty were paid into the Road Fund, as well as the Fund's present share of the licence duties, the position would be changed in the following way: the Road Fund would have a revenue of £54,000,000, against estimated needs of £60,000,000. The Exchequer would lose £32,000,000 of general revenue, while the rate-payer would be saved a corresponding amount. Clearly this would call for some adjustment in the general scale of Government grants to local authorities, if the rate-payer were not to benefit unduly at the tax-payer's expense, but this task, though one of extreme difficulty, should not prove insuperable, and in any case it is of the highest psychological importance that the commercial road user should feel that he is not being taxed for the benefit of the country at large, but that all the money he has to pay is used directly to meet the cost of the roads. It is only by giving him this assurance that we can hope to reconcile him to paying for the upkeep of the roads in the same way as the railways have to maintain their permanent way. A sumptuary tax upon private cars should, of course, remain, for pleasure motoring is just as fit a subject for taxation as any other luxury.

If this change were made, it is an open question if a duty on petrol is the best way of raising the money. The great merit of the petrol duty, of course, is that its burden is roughly proportionate to the use made of the roads, and there is no doubt that most road users would prefer it for that reason. Against it there are two objections. The first is that road users are not the only consumers of petrol, and other consumers can fairly protest against being taxed for the benefit of the roads. The second is that not all forms of mechanical road transport depend upon petrol for their motive power, and it may be recalled that the Salter Report recognizes this fact and has suggested a higher scale of licence duties for vehicles that do not use petrol. My own comment is that while this differential scale of licence duties appears to be fair, the fact that it has aroused some opposition shows that it is not an entirely satisfactory solution. Provided that all vehicles were in use up to their full capacity, I should be inclined to advocate the repeal of the petrol duty and to rely solely upon licences. As matters stand, I see no alternative to continuing the petrol duty, but if it is practicable, the Government should calculate what proportion of its total yield comes from other consumers than road users, and that portion should not be transferred to the Road Fund but allocated to the general revenue of the country. Due allowance for this was made in the Salter Report.

Admitting, then, that the existing dual system of licences and the petrol duty should be retained, the next question is how to bring the existing revenue up from its present basis of £54,000,000 to the estimated needs of £60,000,000 and at the same time to divide the taxation fairly between the various classes of motor users. The Salter Report begins by distinguishing between passenger and goods vehicles, and states roundly that passenger vehicles should find £36,500,000,* and goods vehicles £23,500,000. Passenger vehicles were outside the Salter Conference's terms of reference, and so the scale of licence duties was not discussed. All I would say here is that a scale must be devised calculated to yield, together with the petrol duty paid by this class of road user, the total sum required. Whether the existing form of licence duties (e.g., the h.p. duty on private cars) is equitable or in the best interests of motorists or the motor industry is a controversial question whose settlement is long overdue.

* Plus the yield of any sumptuary tax upon private cars.

Coming now to goods vehicles, the Salter Report puts forward a definite schedule of licence duties based partly upon ton-mileage and partly upon such other considerations as the weight of the vehicle and the wear and tear it causes. The two main changes these recommendations make in the existing scale are firstly, that the licence duties upon vehicles that do not use petrol are heavily scaled up to compensate for their immunity from the petrol tax; and secondly, the upper limit of the duty schedule is raised from 5 tons and over to 10 tons and over, so as to ensure that the very heavy vehicles, which are a not wholly desirable development of recent years, pay an appropriately heavy tax.

I can see no reason why this portion of the Salter Report should not be adopted at once, with due regard to the points which I have already raised. It is, in fact, difficult to understand the delay that has already occurred since the issue of the report, and it is to be hoped that the whole matter will be adequately dealt with in the forthcoming budget.

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Working Conditions

Here there exists in many vital respects a complete contrast between road and railway conditions. Leaving aside purely technical questions, where no assimilation of conditions is practicable, there are marked divergences in law and practice over such matters as charges and conditions of service; wages and labour; and even the ownership and use of vehicles.

As regards charges and conditions, the railways are by law "common carriers." They are bound to accept all goods offered to them for transportation, and they have to charge the same rate to all customers. Again, under legislation culminating in the Railways Act of 1921, they are not free to fix their own rates. What happens is that "standard" rates on a ton-mileage basis are fixed and published for each class of goods traffic (namely, each commodity or group of commodities) by the Railway Rates Tribunal. These standard rates are in effect maximum rates, for while the railways may not exceed them, they can and do grant "exceptional rates" for specific lots of traffic for a specific journey between two given points, and the bulk of their traffic is carried at these rates. These exceptional rates, however, must still be calculated according to the weight carried, must be published by the railways, and must

be charged without discrimination to all customers offering that particular class of traffic.

A striking instance of this limitation of the railways' powers was forthcoming only a few weeks ago. A railway granted to a large manufacturer a single flat rate to cover in one single charge traffic amounting to 20,000 tons per annum to be carried from a given town to any point within a radius of seventy miles; and they based their offer partly on the fact that a comprehensive charge of this kind would save both the railway and the customer from an enormous amount of clerical work. This offer was declared illegal by the Railway Rates Tribunal, and, indeed, on public grounds it may be objected that it favours the big undertaking at the expense of its smaller competitors. Still, this event proves clearly that the railways are not able to fix their own scale and methods of charging.

Road transport undertakings, on the other hand, are not common carriers. They may pick and choose their loads, they may fix their own charges, and may accept return loads for what they can get. Many road vehicles belong to small owners, who often fail to make proper allowance for depreciation and overhead costs. In the end it is true that many end in bankruptcy, but others take their place, and there is ample evidence that charges for the road transportation of goods are often fixed arbitrarily upon an unscientific and uneconomic basis.

This last fact introduces a new point, namely, the technique by which railway goods rates are determined within the limits of the standard rates. The common belief is that railway rates are based upon "what the traffic will bear," but this is not quite the correct way to put it. What really happens is that all traffic, even that carried at the cheapest rates, is expected to pay for its own movement—that is, the running costs of the train—and to contribute something to overhead expenses, including the cost of the line. It is the size of that contribution to overhead expenses which is fixed by "what the traffic will bear."

Now it so happens that it is the transportation of heavy goods at low rates which is most immune from road competition, while it is in the case of the more remunerative traffic that this new form of competition has proved most severe. The result is that the railways have lost just that revenue which contributes most to overhead expenses. Up to a point, of course, the railways have no legitimate ground of complaint, and now that

a new form of competition has developed, they must do their best to meet it, even if it means a radical revision of their whole technique of charging. Still, they can fairly claim that in addition to road users bearing the full cost of the roads, steps should be taken to prevent excessive and uneconomic undercutting, and that unless and until road transport undertakings are obliged to publish their rates for the benefit *inter alia*, of their competitors, the railways should be relieved from this obligation.

On the question of wages and labour conditions it is at present advisable to say very little. It may be pointed out, however, that the railway companies are bound by definite wage agreements extending over the whole country, and that arbitration machinery exists in the form of the National Wages Board. No similar restrictions exist in the case of road transport undertakings.

Finally, road transport undertakings are divided into two classes, namely, "hauliers," who carry other people's goods for profit; and "ancillary users," whose vehicles mainly carry goods belonging to the owners of the vehicles themselves. It is not unknown, however, for an ancillary user to accept a cheap return load.

The Salter Conference took all these points into account and made a series of recommendations. In the public interest it was felt undesirable to relieve the railways from the obligations to act as common carriers and work according to fixed schedules of rates; nor do the railways desire such relief. Again, there were obvious limits to the extent to which it was legitimate to interfere with the rights of ancillary users—that is, manufacturing and business houses owning their own fleet of vehicles. Instead, the Salter Conference recommended that both hauliers and ancillary users must hold an operating licence. Such a licence shall be conditional upon payment of reasonable wages and observance of reasonable conditions of service in respect of the driver, and upon the maintenance of the vehicle in a proper condition of repair. In addition, a haulier shall not receive a licence if existing transport facilities are deemed sufficient, or if actual or prospective congestion or overloading of the roads exists. Again, a haulier shall only receive a licence after due consideration has been given to previous motoring offences by him or his employees, or to a previous bankruptcy. Ancillary users shall, after due notice, be prohibited from

carrying the goods of others beyond a radius of ten miles from their place of business. A Central Advisory Committee is to be set up to advise the Minister of Transport regarding the directions issued by him to licensing authorities. The question of the keeping of proper journey records shall be investigated by the Ministry of Transport, and while hauliers shall not be obliged to publish their rates, the licensing authority shall have access to this information if he requires it in order to determine if existing facilities are sufficient. The Minister of Transport is to examine the question of the publication and control of rates in consultation with the Central Advisory Committee referred to above.

To my mind, the adoption of these recommendations is essential if the road transport industry is to be placed upon an equitable and economic basis, and I fail to understand why they have not already been adopted by the Government. Nor can the railways fairly ask for more, for the new form of transportation has a right to exist, provided that it can do so upon level terms. Thus I conclude this section of my article by urging that the Salter Report should be adopted and carried into effect at once. There has already been a wholly inexplicable and unjustifiable delay, which is fair neither to the railways nor the road users, and the recent government announcement that legislation is at last to be introduced was long overdue.

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SAFETY

I should like to begin by presenting two sets of figures.

(1) *Railways.*—In 1931, 71 passengers, 159 railway servants, and 59 other persons were killed in train accidents, or "through the movement of railway vehicles"; or a total of 289 people. Injuries included 4,111 passengers, 2,714 railway servants and 161 other persons; or a total of 6,986 people.

(2) *Roads.*—In 1931, 6,691 persons were killed and 202,119 injured in street accidents. The ratio of railway to road fatalities is thus 1 to 23, and the rates of railway to road injuries is 1 to 29.

This great disparity between road and railway accidents is by no means entirely due to the difference in operating conditions, even though the roads are open to all, while the railways are fenced in and trespass upon them is an offence

under the companies' by-laws. It is also due to the rigid safety regulations under which the railways are operated, many of which are enforced upon them by the law of the land.

For example, legislation passed over fifty years ago enacts (1) that all passenger trains must be equipped with continuous brakes; (2) that the levers operating signals and points should be concentrated in signal boxes and interlocked with each other so as to render conflicting movements of trains impossible; and (3) that on all lines where passenger trains are run, the absolute block system should be in operation, which means in effect that there is always at least one signal at danger between consecutive trains.*

The railways have in recent years gone considerably beyond the minimum requirements of the law. All fast goods trains are now equipped with continuous brakes. There have been enormous developments in automatic signalling, power signalling and colour-light signalling, all depending upon that modern device, the "track circuit," which enables a train to protect itself by the mere fact of its occupation of the track. These developments have not only greatly relieved the signalman of his share of responsibility for the safety of the train, but have added greatly to the speed of operation and to the carrying capacity of a given section of line. Seldom have safety, efficiency and economy been blended so happily.

Before a railway servant can attain the position of driver, he has to serve an apprenticeship of 10 or 30 years, first as cleaner and then as fireman; and many men never reach the grade of driver at all. Even an experienced driver is not allowed to drive a train over a strange section of line, but must first be taken over it by a driver who knows that line. A driver, when in charge of a train, is under continuous supervision. He himself has to make out an engine-driver's ticket at the end of his run, the guard of the train keeps a separate journal of the run, while the times incidental to the passage of the train are recorded in the train register book at every signal-box the train passes. Finally it is the duty of every signalman to notice if there is anything unusual in the passage of a train, and, if necessary, to stop the train himself or have it stopped at the next box for purposes of examination.

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* It is further provided that the line is not "clear" to a signal, until the previous train has passed at least ¼-mile beyond that signal, and that signal has been replaced to danger. This gives an overlap or safety margin of ¼-mile.

The locomotive, rolling-stock and permanent way are equally under continuous supervision. The sight of the man who goes down the train tapping each wheel and axle is a familiar one to all travellers, but every locomotive and vehicle is subjected to a rigid routine examination before it is allowed to leave the sheds. A full history of each locomotive and vehicle is kept, so that it can be withdrawn from service for a more complete overhaul at appropriate intervals, while, needless to say, the breakage or failure of any part must be reported at once.

Finally, if an accident does occur, such as is likely to endanger human life or limb, the law provides that an immediate inquiry must be held by an Inspecting Officer of the Ministry of Transport, at which all the railwaymen concerned must attend. At the end of the inquiry, the Inspecting Officer makes and publishes a full report, in which, if need be, he both censures the railwaymen concerned and makes recommendations to the railway company, with the object of preventing a similar mishap. The railway companies give great weight to such recommendations, and also take such disciplinary action as the report shows to be necessary. While the action taken naturally depends upon the facts of each case and the record of the men concerned, it is safe to say that any driver or signalman who was found guilty of carelessness or of a breach of the company's rules would be in grave danger either of dismissal or of de-grading to a less responsible position.

Practically no such provisions exist for road transport. Anyone of the prescribed age can obtain a licence to drive a motor-vehicle, unless disqualified by certain physical disabilities or by sentence of a court for previous motoring offences. The periodical inspection of vehicles is not compulsory, and all the law does is to lay down penalties for the neglect of certain parts such as brakes or tyres. Road signalling, even where applicable, is only just emerging from the state railway signalling was in seventy years ago. No machinery exists for an official inquiry into road accidents, with a view to assessing blame and making recommendations designed to prevent a repetition of such an accident. Nor, if such recommendations were made, does any machinery exist for their enforcement.

Admittedly the more reputable road transport undertakings set themselves a high standard as regards the competence and efficiency of both their drivers and vehicles. It must equally

be admitted that to enforce upon all drivers and vehicle-owners the same standard as obtains on the railways would entail a very serious interference with the rights of a large number of people. Still, the casualty list remains, and both the railway companies and the more reputable road users can fairly claim that by maintaining their high standard of safety, they involve themselves in heavy expense from which their competitors are immune. Were they to say that such competitors are in reality receiving a concealed subsidy, expressed not in terms of cash but in terms of life and limb, it is not easy to find a convincing reply.

To my mind this whole question of road safety still requires searching investigation, but it is possible to put forward one or two points for consideration. Firstly, a driving licence should be granted as a privilege, and not as of right. Its renewal should be contingent, not merely upon immunity from convictions for serious offences, but upon the absence of any general evidence of recklessness or incompetence, such as would be inferred from reports of numerous minor accidents, in each of which some degree of culpability was found. Secondly, the renewal of vehicle licences might be made subject to the production of a certificate, of recent date, by a competent repairer that the vehicle was road-worthy. Thirdly, the recommendations by the Salter Conference regarding conditions and hours of labour appear the minimum that is necessary, and their recommendation that each driver should keep a journey log should certainly be adopted. Fourthly, the latest type of automatic colour-light signal worked by contacts in the road has already proved itself in the City of London and elsewhere. It should certainly be installed at all dangerous and busy cross-roads, and could easily be adapted so as to be applicable to other kinds of road junction. Road signalling apparatus as a whole should be a charge on the Road Fund, and not on local authorities as it is at present.

There remains the question of investigating accidents. On balance, I feel that some formal inquiry should be made, at least into accidents involving human injury, and there is a strong case for saying that the report of the investigator should be taken into consideration when the licences of the drivers involved come up for renewal. Without being able to write with precision, I am not sure that the cost of such inquiries could not be thrown upon the careless driver, for legislation

might be passed forbidding insurance companies from paying the first £50 of every claim lodged by a driver whom the inquiry had judged to be to blame.* This should permit of a substantial reduction in insurance premiums charged to careful drivers, and so the fee payable for driving licences could be increased so as to contribute towards the cost of providing the machinery for these inquiries without adding to the total expense of motoring. Incidentally, such a scheme would act as a powerful deterrent against careless driving.

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The first moves, therefore, are for the Government to adopt the Salter Report, to disentangle road revenue and expenditure from the general national accounts, and to investigate ways and means of raising the standard of safety on the roads. Were these steps taken, there is every hope that the railways would once more be able to earn a profit sufficient to enable some dividend to be paid upon all classes of their capital. This in itself would have important results, not only in easing the present troubles of railway shareholders and servants alike, but in enabling the railways to raise fresh capital. For the last few years capital expenditure has had to be financed either out of reserves, or by the issue of debentures. Such a state of affairs is fair neither to the railways nor to the public whom they serve, if only because it retards much-needed improvements.

The railways, however, must both help themselves and also recognize that road transport has fairly won its place. The Salter Report rightly stresses the need for co-ordination and co-operation between rail and road, but this is not so simple as it looks. Great attention has lately been directed towards the co-ordination of rail and road passenger services, and to the interest the railways have acquired in omnibus undertakings, and together with the regulation provided under the 1930 Road Traffic Act there is a comfortable feeling that the passenger transport problem has been solved.

This view is hardly correct. It is true that the railways now obtain a share of the *profits* of omnibus undertakings, but they still have to run their trains, even though they may have lost half their passengers to the neighbouring omnibus company, in which they hold shares. Thus such a diversion means that the railways still have to incur the *cost* of conveying the

* With proper exception for third party claims, where the driver concerned was too impecunious to meet all or part of the first £50.

passengers they have lost, whereas in place of receiving the whole of his *fare*, they now only receive a share of the *profit* earned by carrying him. Even if the loss of passengers reaches the point where a train can be withdrawn, the overhead cost of the line remains. Besides, the withdrawal of one train means an impairment of the service, with the inevitable consequence of a further loss of passengers.

The correct view to take must be that road and railway transportation must so be developed that goods are carried by whichever form of transport happens to be most suitable ; and in many cases it would obviously be best for a consignment to perform part of its journey by rail and the remainder by road. This suggests two lines of development. The first is the more general use of the " container," that is, the large-size case in which goods can be made up into a bulk load which can easily be handled and transferred from lorry to railway truck and back again, as occasion demands. Allied with this comes standardization of the size of trucks, containers and lorries, so that the container fits both kinds of vehicle.

The other question I should like to put forward for discussion is that of the admission of large-scale, well-organized road transport undertakings—especially those serving a definite area—to the Railway Clearing House. What I have in mind is that a trader might well send his goods on a through ticket at a single charge, and leave it to the transport authorities to decide how far it shall go by railway and how far by road, and to allocate the charge to the various interests concerned through the mechanism of the Railway Clearing House. What I should hope to see happen would be for goods (packed as far as possible in containers) to be first collected by road and taken to the nearest nodal point, thence carried by fast goods train, running to a fixed time-table, to the nodal point nearest to their destination, and finally delivered by road to the consignee. Such a service would be operated jointly by the railway companies and the road transport undertakings operating around each nodal point.

How far such a scheme is practicable I do not profess to be able to say. Admittedly, it would require, in the first place, a considerable degree of rationalization of the road transport industry, but this in itself would not be wholly undesirable and seems likely to come once the Salter Report is carried into effect. I only put it forward as a possible way of combining the

independence of the various transport services with a high degree of co-ordination designed to further the interests of the public.

This, however, is looking a considerable way ahead, and in the meantime there are several points to which the railways might direct their attention. Modernization of the rolling-stock used on local trains and of many country stations must clearly await the day when the railways can obtain fresh capital, and the same applies to electrification schemes now being contemplated by the companies or discussed by the public. All I should like to point out here is that, as the companies themselves must realize, there is ample scope for such work, and that until it can be carried out they are losing a certain amount of public goodwill and therefore traffic.

There is another way in which they might increase their goodwill. Like other big undertakings operating under special Acts of Parliament, the railways have to promulgate and enforce a huge mass of rules and regulations. Most of these are reasonable enough, for the railways must protect themselves against fraud, and when they make concessions as to fares they must see that those concessions are not abused or extended beyond their intended limits. Unfortunately, the public can hardly be expected to appreciate all the reasons behind these regulations, and when a passenger has to pay full fare because he has lost his ticket or forgotten his season ticket, he naturally feels aggrieved and begins to contrast in his own mind the red-tape methods of the railways with the comparative freedom of the omnibuses. To some extent the public are themselves to blame, for a fraud on a railway company does not carry with it the social stigma which it should, and therefore the railways have to take stringent precautions. Yet it may be that if the railway companies instructed their servants to give the apparently honest passenger a generous degree of latitude and let it be known generally that they were doing so, they might gain in goodwill and extra traffic more than they lost through an increase in undetected fraud. If the railways did this, magistrates and the public might reciprocate by more severe treatment of fraudulent railway travellers.

Finally, there is a suspicion that, like other big undertakings, the railways suffer from the disease of inertia. In many ways this suspicion is unfounded, as witness the striking developments in traffic facilities since the war; and it is hardly

generous to voice this suspicion when the companies are circumscribed for lack of capital. Yet there is a certain amount of truth in the argument that the railways only moved when forced to do so by road competition, and there is little doubt that a still more intensive display of initiative by the railways would at the present juncture enormously add to their goodwill.

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In conclusion, the problem to-day is serious enough. The railway companies are passing dividends upon a large part of their capital and are making application for the reduction of wages. As a result, widespread loss is being inflicted upon deserving, and in many cases impoverished, members of the community, who had in the past been given to understand that their savings or earnings were secure. As a secondary result the railways are unable to obtain fresh capital, which they need to maintain their efficiency and develop their powers of service. The problem is one that demands speedy solution in the interests of the public.

Admittedly the problem is highly technical, and a layman can, at the most, make suggestions and raise points for discussion. Yet, judged as a problem in economics, there are certain things which ought to be done. The Salter Report is fair and equitable. It should be adopted at once. The margin of safety between roads and railways is far greater than public opinion ought to tolerate, and means of narrowing it should be investigated without delay. Both road and rail transport must learn to exist side by side, and to discover a proper division of their complementary functions. This calls for an immediate undertaking of the task of co-ordinating the two. The railways must realize that, like every other business undertaking which finds itself faced with new competition, they are dependent for their lives upon a spirit of progress and initiative, and, above all, upon the maintenance and fostering of the goodwill of the public whom they serve. Finally, the public must remember that the railways are an integral part of the economic life of the country, and that if they are denied a reasonable chance of earning their living, the country as a whole will suffer.

NORMAN CRUMP.

Notes of the Month

The Money Market.—Government dividend payments, the return of Christmas currency from circulation, and bill purchases by the banks combined to make money easy during early January, but the steady influx of revenue caused slightly stiffer conditions to prevail towards the end of the month. Some stringency was noticeable on February 1st, when a big turnover of funds into and out of the Exchequer took place. The money paid to the Government consisted of the final call on the 3 per cent. Conversion Loan, and this sum, which amounted to £120 millions, was paid up very promptly on its due date. It was offset by the repayment by the Government of £128 millions in respect of the maturing 1933–35 Treasury bonds, but a day or two necessarily elapsed before all the cheques relating to this repayment could be presented and cashed. Thus, in the meantime, the Government had a surplus of funds, and the banks and the market went short. The influx of revenue has permitted the normal seasonal reduction in the Treasury bill issue to take place, and the growing shortage of bills has inevitably depressed discount rates. On February 13th hot Treasury bills were quoted at $\frac{13}{16}$ per cent., against $1\frac{1}{8}$ per cent. immediately before the end of last year.

Foreign Exchanges.—Sterling has consistently gained strength during recent weeks, this being partly a seasonal movement, and partly the result of a movement of capital to London. Paris purchases of gold-mining shares, which had to be paid for in London, were also a contributory factor. At times the resources of the Exchange Equalization Account were employed to check too rapid an improvement, but even so, between December 29th and February 13th the New York rate rose from \$3.31$\frac{3}{4}$ to \$3.43$\frac{1}{2}$, and the Paris rate from Frs.85 to Frs.88. Part of the measures taken to check too rapid a rise in the exchanges consisted of the repurchase of some of the £19·6 millions of gold sold last December to cover the American debt payment. Up to the end of January the New York Reserve Bank had announced sales of \$43·6 millions (equivalent at par to £9·0 millions) from its gold held under earmark abroad, while the Bank of England had announced purchases of £6·6 millions. Further purchases by the Bank amounting to £5·9 millions were announced during early February. This new gold constitutes a valuable addition

to our general exchange reserves. At the end of January the Danish krone was allowed to depreciate from its previous rate of about Kr.19.30 to a "pegged" rate of Kr.22.50. This deliberate depreciation of the exchange is apparently intended to be a measure of relief to Danish exporting interests. A sharp fall in the Canadian dollar also occurred at the same time. This was partly a seasonal movement, but for some time past considerable pressure in favour of inflation has been brought to bear upon the Canadian Government, and fears that this would prove effective stimulated heavy sales of Canadian dollars, which drove the rate from \$3.77 to over \$4.10. The South African pound has now settled down practically at par with sterling, the buying rate for TT on South Africa being quoted in early February at £100 17s. 6d. per £100 sterling. In the middle of January the New Zealand Government decided to raise the exchange on London practically to parity with the Australian rate, this step being taken in the interest of agriculture and other export industries. As a result the selling rate for TT on London is now £125 per £100 sterling, against £100 at the New Year. The corresponding Australian rate is £125 10s., or the same as at the New Year.

The Stock Exchange.—While the gilt-edged market has slowly but steadily improved since the New Year, the main centre of interest has been the market in South African gold-mining shares. The suspension of the gold standard in South Africa, and the depreciation of the South African pound to parity with sterling automatically were the cause of an increase in the price of gold in South African currency exactly equal to the depreciation of sterling against gold currencies. It was obvious that this increase in the gross earnings of the mines, which was equivalent to about 40 per cent., would not at once be offset by a parallel increase in costs, and so a far greater increase in net profits could be anticipated. As a result active speculation began in Johannesburg, and by the end of January had spread to London and Paris, and spectacular advances in most gold-mining shares were recorded. By the middle of February, however, a more sober view was being taken. It was realized that some increase in costs must be expected before long, and that in any case profits were now contingent upon the extent of the depreciation of sterling against gold, and also upon future South African currency policy. The improvement of sterling, therefore, to \$3.44 in early February

at once checked speculation, stimulated profit-taking, and caused some reaction in prices. As regards the remaining markets, home rails have maintained a fair degree of strength, partly upon the promise of the Government to implement the Salter Report. The recent dividend statements naturally came as a disappointment, but they had largely been discounted in advance, and so their announcements only caused a limited fall in prices. Industrials have been steady, with a slight tendency towards weakness for a few days in early February, while among foreign bonds, German, Chinese and Japanese loans have lost ground owing to recent political developments. The oil market responded favourably to the *modus vivendi* reached at Geneva in respect of the Anglo-Persian dispute, and tea shares have improved. The rubber market has been dull, but some recovery in prices occurred in the middle of February.

Overseas Trade.—Compared with December, imports for January have fallen by £6·5 millions and exports of British goods by £3·2 millions. The comparison with January, 1931, confirms the recent favourable trend of the returns, for imports show a sharp decline of £8·0 millions, while exports are relatively well maintained. The adverse trade balance has consequently improved by £5·1 millions.

Description.	January, 1932.	January, 1933.	Increase (+) or Decrease (−).
	£ mn.	£ mn.	£ mn.
Total Imports	62·1	54·1	−8·0
Retained Imports	56·9	49·9	−7·0
Raw Material Imports	16·9	15·1	−1·8
Manufactured Goods Imports	13·3	11·5	−1·8
Total Exports, British Goods	31·1	29·2	−1·9
Coal Exports	2·6	2·6	—
Iron and Steel Exports	2·4	2·3	−0·1
Cotton Exports	5·5	5·3	−0·2
British Manufactured Goods Exports ...	23·4	22·1	−1·3
Re-Exports	5·2	4·2	−1·0
Total Exports	36·3	33·4	−2·9
Visible Trade Balance	−25·8	−20·7	+5·1

Exports of cotton yarn and cloth were the same in January, 1933, as they were twelve months before, and there has been an increase from £551,000 to £901,000 in exports of motor vehicles, but total exports of manufactured goods have fallen by £1·3 millions. The decline in imports is confined mainly to foodstuffs.

Home Reports

The Industrial Situation

As is shown by the following reports, which relate to the position immediately after the New Year, progress remains very slow, and the most that can be said is that in some industries the volume of enquiry seems to be broadening. Against this, the January unemployment returns are disappointing, for they show that since Christmas there has been more than the normal seasonal increase in unemployment. Sterling commodity prices, too, after having remained stationary during January, have since been slowly falling. International trade remains disorganized by exchange and import restrictions, while Imperial trade is having to adjust itself to the new conditions created by the suspension of the gold standard in South Africa, the depreciation of the New Zealand pound to parity with the Australian pound, and the further fall of the Canadian dollar. As regards the outlook, it appears that a slow improvement in trade is the most that can be expected until some progress has been made with the solution of the major world problems as outlined in the draft agenda for the coming Economic Conference.

Agriculture

England and Wales.—Work on the land appears to be up to date, and it is estimated that the area sown with wheat is 17 per cent. higher than last year, but that there is a decrease in the area under barley and oats. Most of the potato crop has been lifted and is keeping well, but there are reports of some disease, particularly among King Edwards. Milk yields are average, and cattle and sheep are doing well. It is thought that winter keep, which has not been drawn upon to any extent, should be ample.

Scotland.—January conditions were less favourable for outdoor work, but with the open weather at the end of last year tillage is well forward and winter-sown wheat is making good progress. In the markets grain is quiet though wheat has improved slightly. Potatoes remain in poor demand. At the leading livestock markets prices for fat cattle and sheep have tended to harden, while there has been quite a remarkable improvement in trade in store sheep.

Coal

Hull.—Home demand has improved and is absorbing coal that otherwise would be available for shipment abroad. Export prices consequently are steady, although foreign demand is very limited.

Newcastle-upon-Tyne.—The improved demand for steams has not been maintained and, although current shipments are fairly heavy, the outlook is far from satisfactory. Gas and bunker qualities are in fair demand, and the coke market is steady with a strong demand for gas coke.

Sheffield.—Demand is improving, especially in the industrial fuel section, and conditions are better than a year ago. The export market is slightly more active and enquiries are more numerous.

Cardiff.—Prices are unchanged and all classes are obtainable at minimum figures, with the exception of washed dry nuts and washed smalls, which command premiums. There is little or no forward business. The anthracite markets are firm, with a steady demand for practically all qualities.

Swansea.—Best brands of anthracite are still firm and lower grades are satisfactory. Steam coal is in fair demand.

East of Scotland.—In both Fife and the Lothians all classes of round coal continue in good request, but prices show no material change. There is no improvement in demand for washed fuels, but house coal has been well absorbed.

Glasgow.—Collieries are in need of export orders for washed nuts, but screened coals are very well booked with prices firm. In the home trade household coals are moving off normally, as are also the qualities consumed at gas and electricity works. There is very little sign of any improvement in the consumption of industrial fuels.

Iron and Steel

Birmingham.—Owing to the poor conditions prevailing in the heavy engineering and shipbuilding trades there is no large-scale demand, but in some smaller sections business is better.

Manchester.—Dull conditions prevail and in most instances sales of iron have been limited to tonnage sufficient to meet immediate needs.

Sheffield.—While the rate of production remains unchanged, orders are slightly more numerous and enquiries are certainly better. The placing of orders in connection with the British Naval Programme will mean more work and there have been more enquiries for railway material from overseas markets. The scrap trade is more active, and this branch is a reliable barometer of the general condition of the steel trade.

Tees-side.—Consumers covered their immediate needs at the end of last year and business is now on a smaller scale, but makers have on hand contracts involving deliveries over the greater part of 1933. Cleveland pig-iron prices are firm and there are hopes that, as a result of negotiations with makers in the Midlands, a zoning scheme will be effected which will reduce competition in the home market and stabilize prices. The heavy stocks of East Coast hæmatite are increasing, owing to lack of demand, and prices are weak. In the steel trade there is a general shortage of work, and the outlook is not encouraging.

Walsall.—The tube trade is quiet, but malleable iron-founders are busy.

Swansea.—The tinplate trade is still working at around 60 per cent. capacity, and most works have fair order books. Buying has eased off owing to the weakness of tin, as buyers are hoping for the lower prices.

Glasgow.—Apart from some slight improvement in demand from the Clyde shipyards, both home and export orders remain very scarce, and steel-makers are still operating far below capacity. The pig-iron branch of the industry also remains very depressed, and only two furnaces are in blast.

Engineering

Birmingham.—The heavy sections continue depressed, but edge-tool makers catering for South America report a considerably better demand. Business in tubes is a shade better, but still quiet. A fairly well-sustained demand for light cars is responsible for the prevailing optimism among the larger motor manufacturers. Demand for large cars is not so good.

Coventry.—The motor industry continues active and manufacturers are busier than at this time last year. The pedal-cycle trade is seasonally quiet, but the machine-tool trade shows a very slight improvement.

Leeds.—Trade is quiet, but enquiries are more numerous.

Luton.—The motor car and light truck section is fully employed and working overtime. The heavy lorry trade is steady. Hydraulic engineers have received promising enquiries. Otherwise, trade is easier.

Sheffield.—While the amount of work on hand is quite extensive there is still room for improvement in the general engineering section. The increased activity in the gold-mining areas should be of assistance. The tool trade is uneven, but cannot be regarded as unsatisfactory. Complaints are heard concerning the ruinous prices at which contracts are being booked.

Wolverhampton.—There is no marked change, but the tone is more confident.

Glasgow.—There is no general improvement, but some marine engineers have rather more work in hand. The fact that the contracts for new vessels placed in Britain in the last quarter of 1932 exceed in aggregate tonnage those reported in the previous nine months has improved confidence. Locomotive engineers are quiet and makers of structural engines and sugar machinery are in need of work.

Metal and Hardware Trades

Birmingham.—Reports from the cold rolled brass and copper sections for last year are better than was anticipated, but demand has now fallen away. Business in metal small-wares is considerably better, and the position is encouraging.

Sheffield.—The general improvement in trade has not yet extended to cutlery and plate except the scissors and the safety-razor blade sections, both of which are busy and constantly expanding. The chief business in cutlery is in the medium and cheaper grades. Stainless and chromium goods appear to be superseding silver-plated and sterling silver ware.

Wolverhampton.—Prospects are better. The lock trade is more active and the edge-tool trade is improving.

Cotton

Liverpool.—With the incidence of the Christmas and New Year holidays there has been little interest displayed on the speculative side of the market, and values, which have fluctuated

only very narrowly, remain practically unaltered at around 5d. for all deliveries. Stimulated by more encouraging Manchester advices there has been a distinctly better demand for the raw material, and both in spot and forward delivery, particularly American, a very fair business has been done. The market, however, continues to be dominated by American politics, and uncertainty over possible farm legislation is restricting all forward business. The effect of the measure now before Congress would, if approved, appear to be an incentive towards an extension rather than a reduction of acreage, and, until the new administration takes office in March, it is difficult to foresee the trend of agricultural policy. Sentiment still leans towards the "bull" side, but optimism as regards an advance in prices is probably sustained more by hope than by actual conviction that the tide has turned. A noticeable feature of recent trading has been the relatively light offerings of American cotton, this indicating the view of holders that subsequent legislation may make for higher prices. Textile figures, while showing small declines both here and in the U.S., have increased in some Continental centres, and consumption as a whole, though maintaining the slight improvement recently noted, does not yet show signs of any marked expansion.

Manchester.—Uncertainty prevails in the market and the whole trade is in need of some stimulating influence. Buyers of both yarn and cloth are not committing themselves beyond immediate requirements. The extension of the "more looms system" is causing irregularities, but there is a general feeling that in time benefits are to be gained. Employment has shown some improvement, but remains slack. Enquiries for piece-goods and cloth from abroad have improved, but demand has recently been smaller.

Wool

Bradford.—Rather more business has been done lately and prices generally are firmer. Demand is mainly from the home trade. The January London sales registered advances in prices ranging up to 7½ per cent. for fine merinos.

Huddersfield.—Trade in the woollen cloth industry continues to be reasonably good, but business in fine worsteds, although no worse, remains quiet. Last year registered an improvement over 1931. Exports were higher and would increase still further if exchange conditions became easier.

Hawick.—Manufacturers in the border tweed trade are still very short of orders, merchants being disinclined to extend their commitments under existing conditions. The hosiery branch is only moderately busy, demand for knitted woollen goods being much below previous years. Wool prices are unchanged and farmers are reluctant to sell at present rates.

Other Textiles

Dundee.—Uncertainty prevails as to the course of jute prices. Small orders for fabrics are being received for delivery at a near date, but manufacturers are unwilling to accept business at current rates for delivery at distant dates.

Dunfermline.—There is no improvement in the Fifeshire linen trade and the strong position of flax is not reflected in increased prices for manufactured goods. Neither the United States nor Canada offer much scope at present, while home buyers are only covering immediate needs. Spinners are finding the position most difficult as they are compelled to buy flax at the present enhanced prices, while there is little or no improvement in yarn prices.

Clothing

Leeds.—Clothiers are well employed and trade should be good for the next few months, as is usual in the spring.

Luton.—There is at present very little spring buying in the ladies' hat trade except in some very cut lines.

Leather and Boots

Northampton.—Trade in general is quiet. Retailers were reluctant to give further orders, or even to take delivery of orders already given, until the January sales had ended. Still, stocks are very low, and so spring buying cannot be delayed much longer. The leather trade was firm, and several sample orders placed during January appear promising.

Walsall.—Tanners report that trade remains quiet, as boot manufacturers are slow in placing spring orders. Fancy leather goods makers are experiencing the usual quiet period after completing Christmas deliveries.

Shipping

Hull.—There is not very much enquiry for tonnage, and rates remain low for all directions.

Liverpool.—A better undertone has been noticeable generally. The recovery in grain prices led to active chartering from the River Plate, where rates have remained firm. Homeward values have been well maintained with some improvement from South Africa and Chile. In regard to the former, the exchange situation caused an increased demand for maize carriers, while a resumption of nitrate shipments, with tonnage in short supply, was responsible for the higher prices paid from Chilean waters. Coal chartering has also been more active.

Newcastle-upon-Tyne.—Chartering is quiet. Orders are scarce and generally in shippers' favour.

Cardiff.—Demand for tonnage from the Bristol Channel is poor, and rates are lower.

East of Scotland.—There were over twenty vessels on loading turn at the Forth coaling ports towards the end of January. Other branches are more or less normal for the time of year, with freights still easy.

Glasgow.—Demand for tonnage to load coal at Clyde ports is very restricted in view of the scarcity of c.i.f. orders held by shippers. Business in the freight market is insufficient to test rates, but their general tendency is to become easier.

Foodstuffs

Liverpool.—Erratic movements in wheat prices have occurred since December, but prices have recovered and March options (old contract) lately stood at around 4s. 7d., though the undertone is somewhat weak. The hardening of shippers' offers of Plate maize, combined with a broadening demand, has forced the spot value of that cereal some 3d. per cental above the level which has ruled with such constancy during recent months. Since the commencement of the year good sales of wheat, chiefly of Canadian and Australian descriptions, have been negotiated in this market at higher prices, with China and India prominent as buyers. Plata has been bought in fair quantity, but the bulk of such trade has been for Continental account. Arrivals continue on a very moderate scale. The recovery of the market from earlier low levels is

attributable to the holding policy of American shippers and growers who, as in the case of cotton, look hopefully towards the new administration for financial aid. Canadian farmers, the greater part of whose crop has been disposed of at low prices, are also evidencing a disposition to hold. The view is now gaining prominence that, in distinction to last year, when a million quarters of Russian wheat lay in Western Europe, the Soviet may yet be compelled to adopt the rôle of importer. This theory, in conjunction with American hopes that a quota may be adopted to stimulate home trade and thus absorb their surplus, tends to show that the general supply position may yet encourage a higher price-level. Supplies of Continental bacon were in excess of demand, with the result that prices eased considerably. American bacon was practically nominal, and hams slow of demand at rather easier prices. The low retail prices for butter ruling during last month brought on a large consumptive demand for Colonial descriptions. Supplies, however, were more than sufficient to meet requirements. Danish butter was relatively dear, but as the production of this class was smaller than last year, a fairly good clearance was effected from week to week. Cheese was in smaller supply and demand only slow. There was only a moderate request for canned goods at unchanged prices.

Fishing

Brixham.—Landings for December were considerably above those of November and prices were well maintained. Herrings failed in quantity and quality for the first half of the month, but improved later.

Lowestoft.—During December 47,292 tons of wet fish, valued at £1,005,955, were landed by British vessels in England and Wales, this being a decrease of 384 tons compared with December, 1931. The value, however, shows an increase of £25,780, and the slightly increased value of white fish has given trawlers from many ports a profitable period for the first time for several months. There was a satisfactory increase in the quantity and value of the herrings landed. Foreign imports continue to decrease.

Penzance.—There has been practically no fishing at Newlyn, as local boats were engaged in the herring fishery at

Plymouth, where the result has been a little better than last year.

Scotland.—The operations of the deep-sea fishing fleet have been affected by stormy weather and fog, and as a result the demand for all classes of fish has continued keen. The winter herring fishing at the Firth of Forth has begun, but so far has not been very productive. Prospects are rather better, however, and numerous buyers are in evidence.

Other Industries

Chemicals.—Business in heavy chemicals remains quiet, but some fine products have been in good demand. Prices generally remain fairly steady.

China Clay.—Reports from St. Austell show that the tendency towards a revival, reported in December, still continues.

Paper-making and Printing.—There is no improvement in the Edinburgh paper-making trade and the last few months have been particularly disappointing. Prices have continued downwards and with the export branch still suffering from the adverse exchange in Australia and Japan and a home trade easily satisfied, immediate prospects are not good. In the printing trade unemployment has reached a figure not touched since 1922. While a certain amount of commercial work is still coming in, the book-printing branch is very dull and the general outlook is worse than in the paper-making industry.

Pottery.—The earthenware trade is better than this time last year, but on the whole business remains dull.

Timber.—Hull states that demand for building timbers has been up to normal with a fair trade in floorings. The saw and planing mills are still quiet, being unable to compete with foreign sawn box boards and manufactured goods. The case trade is quiet, but there are a few more enquiries from railway companies and collieries. Prices are firm with a rising tendency owing to the advance in prices of Russian goods for this season's shipment.

Tin-mining.—Redruth reports that mining is practically at a standstill largely owing to the low price of tin.

Overseas Reports

Australia

From the National Bank of Australasia Limited

The season's prospects are generally favourable and a large production of wool, wheat, butter, meat and fruit seems assured. Wool sold freely at higher prices just after the New Year, but prices generally are still most unsatisfactory. Christmas trade showed an improvement over last year, but demand was concentrated largely on standard lines and low-priced goods. Unemployment is still severe, but the latest returns give evidence of some improvement.

Canada

From the Imperial Bank of Canada

Feeling at the New Year was that a basis had at last been established for some measure of recovery, but current evidence rather suggested that the decline in trade was being arrested than that any actual improvement was beginning. The price of wheat remains low, and is creating acute credit problems in Western Canada. One such problem is that of public and corporation debts, many of which were incurred in the United States, and are, therefore, payable in American dollars. The further fall in the exchange has intensified the difficulty of meeting these payments. Apart from this, mortgage institutions and big industrial firms are having to adopt a generous attitude towards farmers, who in their turn are making every effort to regain solvency by reducing their costs and to extend their production, so as to make their farms primarily a means of supplying their own needs. The gold-mining industry is prospering, the more so as the Government are paying for the gold in the equivalent of American dollars, thereby conferring the full exchange premium upon producers.

India

Crop prospects are favourable. Imports for 1932 are returned at 134 crores of rupees, against 135 crores in 1931 and 248 crores in 1929. The export returns were 329 crores for 1929, 169 crores for 1931 and 138 crores for 1932. The decline since 1929, the last normal year, is very noticeable, even though partly due to the fall in prices.

Bombay.—During December, demand for Manchester goods was intermittent, but prices remained steady. Enquiry for local goods was normal. Stocks were reduced, and the Tariff Board's recommendation for fresh protection created a better feeling. Nevertheless, Japanese competition is growing.

Calcutta.—Jute prices fell during December, but business remained steady, though of limited dimensions. Tea sales up to December 31st amounted to 846,943 chests, compared with 803,212 chests for the corresponding part of the previous season. Prices were easier, but the market had a strong undertone.

Rangoon.—Business in rice was very limited during December. Late rains had delayed arrivals of paddy, and millers were therefore holding back. There was a complete absence of forward business.

Irish Free State

The return of the Government to power with an increased majority at the recent general election is thought to foreshadow the early execution of their economic policy. This consists of the development of tillage by means of tariffs and bounties, with the result that the live-stock branch of agriculture will diminish in importance. Meanwhile live-stock markets are having to deal with increasing supplies, and prices consequently are lower. Farm-work was interrupted at the end of January by severe frosts, but very mild weather has since prevailed, so that preparations for the season's sowing are now well forward.

France

From Lloyds & National Provincial Foreign Bank Limited

The main event of the month has been the defeat of the Government on their budget proposals. This has led to the entry into power of a new Government which has formulated fresh proposals of a less drastic character. The Bourse has naturally been adopting a waiting attitude, and business has been restricted. The coal trade has been quiet and prices very low. Export demand for steel has improved.

Bordeaux.—Business in wine is quiet, with a fair demand for old wines. The resin market is firm.

Le Havre.—Business was interrupted for several weeks at the New Year by the dockers' strike, which diverted shipments to other ports. The cotton market was quiet with prices steady. The coffee market was weak.

Lille.—Trade improved at the New Year. Cotton, flax and jute prices were all firm and there was a good demand for hemp. Cotton manufacturers benefited from an increased turnover, especially in the cheaper qualities of goods, but flax spinners found it impracticable to raise yarn prices in sympathy with the increased cost of their raw material, and so were involved in some difficulty.

Roubaix.—Home demand for woollen goods has definitely improved, and manufacturers are more active. There has been a good turnover in tops at firm prices, and some combers have been working almost at capacity. Demand for yarns and carded cloths is also good. Export trade remains very poor with no prospect of an early recovery.

Marseilles.—The demand for ground-nuts has remained good, and prices are higher. The premium on near shipments became narrower during early January. There was a steady demand for copra, and prices of French and French Colonial olive oil remained firm.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Antwerp.—Shipping remains quiet, apart from some temporary activity due to the French dockers' strike. Business in coffee was checked by the imposition of a new import duty of Frs.80 per 60 kilogrammes.

Brussels.—The coal trade has improved since the summer strike. Stocks have been reduced from 4,000,000 to 2,000,000 tons, and though less men are employed, the output per miner has increased. The steel trade has also improved during recent months, partly because of the receipt of fresh railway orders, but the loss of business with England is causing some anxiety. There is a better investment demand for property and this is helping the building trade. The cement industry is feeling its loss of export business, especially as many firms now possess surplus plant which was bought on credit and still has

to be paid for. The sheet and plate-glass trade has improved and stocks have been reduced, but it is feared that the Ottawa Agreements will lead to a serious decline in exports to Canada and other British Dominions. The bottle-glass industry is seriously affected by the new British tariff. In the cotton industry the weaving side is less satisfactory than the spinning side, and prices have receded to their July level. Some improvement has taken place in the rayon industry as the result of rationalization measures at home and a new export agreement with Germany. The linen industry is quiet owing to the present disparity between flax and cotton prices, which is diverting demand to the latter industry. The paper trade has improved, and employment in the diamond industry is much better than in the summer.

Germany

December witnessed the usual Christmas set-back in trade, for unemployment rose from 5,355,000 to 5,773,000, while steel production fell from 22,700 tons for November to 19,500 tons for December. During the last fortnight of the month, car-loadings also declined from 99,800 to 82,300, but recovered the following week to 85,100. Coal production fell from 280,300 tons for the week ended December 17th to 258,000 tons for the first week of the New Year. The latest returns for January show variable changes. Thus unemployment was 6,014,000 for January 31st, and car-loadings and coal production 88,700 and 249,900 tons for the week ended January 28th. The export surplus for December was only Rm.68 millions against one of Rm.247 millions for December, 1931.

Holland

Unemployment remains at 300,000 or 4 per cent. of the population, but this high figure is due to the increased mechanization of industry as well as to the depression. The wireless industry is receiving fair orders, but shipping and the textile trades are far from prosperous. Imports for 1932 have shrunk to Fl.1,299 millions compared with Fl.1,893 millions in 1931, while exports have fallen from Fl.1,312 millions to Fl.846 millions. The financial position remains sound, and money is very cheap and plentiful. The Government have

recently converted Fl.186 millions of bonds from a 5 per cent. to a 4 per cent. basis and have at the same time issued Fl.110 millions of new 4 per cent. bonds.

Norway

Export trade continues to suffer from uncertainties and restrictions abroad. Activity in the wood-pulp and paper industries has been well maintained, but curtailments have been necessary in some cases. Conditions in engineering and shipbuilding remain difficult. Home purchasing power is below normal. Unemployment rose to a record figure of 41,571 at the end of the year, against 34,789 at the end of 1932. Shipping returns show that on January 1st 200 vessels, aggregating 952,345 tons, were laid up. The 1933–34 budget has just been issued. It balances at Kr.374·4 millions, or Kr.2·2 millions less than the present budget, but drastic economies have been necessary to offset new expenditure, while further taxation has had to be imposed to balance the decline in the yield of existing taxes.

Sweden

The mild December weather enabled the shipping season to be extended, and this has helped export trade. The timber market has been dull. Sales to January 15th were only 60,000 standards. Prices, however, have improved and stocks are low. The mechanical pulp market has been active, but the paper market is unchanged and only small sales of chemical pulp for immediate delivery have been practicable.

Denmark

The New Year found Denmark faced with a number of serious problems. Agriculture needed relief from the low level of prices, unemployment was severe, and a widespread lock-out to enforce wage reductions was due to take place on February 1st. In the end, the Government introduced a bill to make strikes and lock-outs illegal for one year, and the lock-out notices were withdrawn. Simultaneously, to ensure the co-operation of agricultural and other exporting interests, the Government allowed the kroner to depreciate to Kr.22·50 to the pound, against parity of Kr.18·15. The present intention is to maintain the exchange at this new level.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

The usual seasonal improvement in foreign trade was lacking last December, but apart from this both imports and exports were well maintained, and exports of watches and textiles showed some improvement over both November and the previous December. The loss of seasonal business is largely attributed to the clumsy way in which commercial treaties with other countries are operating. Every effort is being made to balance the budget, both by means of strict economy and by the imposition of fresh taxation, particularly upon luxuries. Swiss gold reserves have decreased slightly, partly because of the return of Swiss notes hoarded abroad, and partly because of some withdrawals of foreign capital.

Spain

Trade returns to the end of November, 1932, show a decline in imports of 191 million gold pesetas, and in exports of 245 million gold pesetas as compared with a similar period of 1931. After lengthy negotiations a credit of 70 million pesetas has been granted to Mexico, to be utilized for the construction of naval units in Spanish shipyards. It is estimated that employment will be given to about 14,000 men over a period of eighteen months, and the credit in question will be covered in the budgets of 1933 and 1934. The Government has rescinded the decree ordering the stamping of all Spanish Bank Notes. This measure was aimed to prevent the hoarding of notes during the early days of the Republic and was responsible for placing in circulation an additional 150 millions of silver. Sugar refiners have come to an agreement to restrict production with a view to the liquidation of the present heavy stocks.

Morocco

From the Bank of British West Africa Limited

Business conditions show some slight improvement due to good rains throughout the country, particularly in the cultivated North. The general outlook regarding crops is decidedly good with some hopes of abundance. Some anxiety is felt con-

cerning the proposed new taxation rendered necessary by the deficit in the French zone budget. Retail trade has been quiet owing to the Ramadan fast, which, however, fell conveniently this year, since the winter days are short. Trade should improve with the feasts at the conclusion of the Ramadan month. Shipments of phosphates totalled 987,317 tons during the year 1932. Manchester cottons are in fair demand. Tea arrivals are large and demand is weak. Prices for barley are improving with shortening of supply.

The United States

Money remains very easy and the economic and business outlook is very uncertain. Bankruptcies for 1932 amounted to 31,822, with liabilities of over $928 millions. These are easily the worst figures on record. Car-loadings still had a downward trend in December, and the total figure for 1932 was 24 per cent. below that of 1931 and 38 per cent. below that of 1930. In the steel trade, December witnessed a drop of only 161 tons in unfilled orders of the United States Steel Corporation. The latest January production figure is 17 per cent. of capacity, which, though better than some of last year's returns, is still very unsatisfactory. Cotton prices improved slightly during December, but farmers are showing no readiness to sell. There are reports of heavy purchases of fertilizers in the cotton belt, and this may indicate that planters propose to divert part of their land to the raising of food crops for their own use.

Japan

Exports for 1932 show an increase in value of 22 per cent. over 1931, while imports have risen by 16 per cent. There was a big expansion, amounting to 300 million square yards of a value of Y.51 millions, in exports of cotton goods, and imports of raw cotton rose in proportion. The sugar export trade was severely affected by the Chinese boycott, as no alternative markets were available. The export permit system regulating the exportation of sulphate of ammonia has now been withdrawn, and it is estimated that shipments during 1933 will rise to 350,000 tons, against recent annual exports of 39,000 tons. Commodity markets were weak during January. Raw silk cheapened owing to the contraction in American demand.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts &Advances.
1932.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
January 27 ...	*120·8*	*345·9*	*50·5*	*39·4*	*74·3*	*45·3*	*12·9*
1933.							
January 4 ...	119·8	362·6	33·0	18·2	134·1	102·1	46·0
January 11 ...	119·8	358·6	36·9	23·1	112·9	110·0	12·9
January 18 ...	119·8	354·7	40·9	27·2	105·4	96·6	11·8
January 25 ...	123·6	353·2	46·2	31·2	103·4	90·6	11·6

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1932.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
January	*1,714·0*	*98·7*	*223·5*	*117·3*	*239·3*	*283·4*	*904·9*
August	1,850·6	78·7	233·5	117·5	374·4	368·5	816·2
September	1,864·9	74·8	228·7	113·7	392·2	383·0	802·7
October	1,893·4	78·9	233·9	116·7	390·5	411·6	795·1
November	1,898·4	83·3	235·0	116·3	391·2	425·0	785·1
December	1,983·1	89·4	256·4	126·6	407·9	472·4	773·4
1933.							
January	1,982·8	91·3	255·5	113·8	431·2	472·4	764·4

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.				
			1929.	1930.	1931.	1932.	1933.
			%	%	%	%	%
1902	58·2	January	46·8	45·1	45·9	46·5	46·3
1914	49·9	February	45·9	44·2	45·1	44·7	
1919	60·7	March	45·2	44·5	45·3	44·7	
1920	56·7	April	44·9	45·1	45·0	45·2	
1921	50·7	May	44·1	44·0	44·8	45·3	
1926	48·6	June	44·5	44·4	45·4	45·4	
1927	47·4	July	45·4	44·7	45·7	46·0	
1928	46·4	August	45·3	44·4	45·7	45·7	
1929	45·2	September ...	45·3	44·7	45·0	45·2	
1930	44·7	October	45·6	44·8	45·3	45·2	
1931	45·4	November... ...	44·7	44·8	45·3	45·2	
1932	45·4	December... ...	45·3	46·0	46·7	46·2	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London.			New York.		
	Bank Rate.	3 Months' discount Rate.	Day-to-day Loans.	Re-discount Rate.	90 Days' eligible Bank acceptances.	Call Money.
1932.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January 27 ...	*6*	*4$\frac{7}{8}$—5$\frac{1}{4}$*	*2$\frac{1}{2}$—5*	*3$\frac{1}{2}$*	*2$\frac{7}{8}$*	*2$\frac{1}{2}$*
1933.						
January 4 ...	2	$\frac{15}{16}$—1	$\frac{1}{4}$—1	2$\frac{1}{2}$	$\frac{1}{2}$	1
January 11 ...	2	$\frac{7}{8}$—$\frac{15}{16}$	$\frac{1}{2}$—1	2$\frac{1}{2}$	$\frac{1}{2}$	1
January 18 ...	2	$\frac{7}{8}$—$\frac{15}{16}$	$\frac{1}{2}$—1	2$\frac{1}{2}$	$\frac{1}{2}$	1
January 25 ...	2	$\frac{3}{4}$—$\frac{13}{16}$	$\frac{1}{2}$—1	2$\frac{1}{2}$	$\frac{3}{8}$	1

2. FOREIGN EXCHANGES

London on	Par.	1932.	1933.			
		Jan. 27.	Jan. 4.	Jan. 11.	Jan. 18.	Jan. 25.
New York ...	\$4·866	3·46$\frac{1}{4}$	3·33$\frac{1}{8}$	3·35$\frac{1}{8}$	3·34$\frac{7}{8}$	3·39$\frac{3}{8}$
Montreal ...	\$4·866	3·99$\frac{1}{2}$	3·76$\frac{1}{4}$	3·77$\frac{1}{2}$	3·84$\frac{3}{4}$	3·91
Paris	Fr. 124·21	88	85$\frac{7}{16}$	86	85$\frac{13}{16}$	87
Berlin	Mk. 20·43	14$\frac{11}{16}$	14·00$\frac{1}{2}$	14·12$\frac{1}{2}$	14$\frac{3}{32}$	14·27$\frac{1}{2}$
Amsterdam ...	Fl. 12·11	8·59$\frac{1}{2}$	8·30	8·35	8·34	8·45
Brussels ...	Bel. 35	24$\frac{13}{16}$	24·06	24·20$\frac{1}{2}$	24·19$\frac{1}{2}$	24·45$\frac{1}{2}$
Milan	Li. 92·46	69$\frac{1}{8}$	65$\frac{1}{8}$	65$\frac{1}{8}$	65$\frac{7}{16}$	66$\frac{7}{16}$
Berne	Fr. 25·22$\frac{1}{2}$	17$\frac{3}{4}$	17·32$\frac{1}{2}$	17·43	17·39	17·55
Stockholm ...	Kr. 18·16	17·90	18·37$\frac{1}{2}$	18·30$\frac{1}{2}$	18$\frac{11}{32}$	18$\frac{11}{16}$
Madrid ...	Ptas. 25·22$\frac{1}{2}$	41$\frac{1}{4}$	40$\frac{7}{8}$	41$\frac{1}{16}$	40$\frac{15}{16}$	41$\frac{3}{8}$
Vienna ...	Sch. 34·58$\frac{1}{2}$	30*	28$\frac{1}{4}$*	28$\frac{1}{2}$*	28$\frac{1}{2}$*	29*
Prague ...	Kr. 164·25	116$\frac{3}{4}$	112$\frac{1}{2}$	113$\frac{1}{4}$	113	114$\frac{3}{4}$
Buenos Aires ...	47·62d.	40$\frac{1}{4}$	42$\frac{1}{4}$†	42$\frac{1}{4}$†	41$\frac{3}{4}$†	41$\frac{1}{2}$†
Rio de Janeiro	5·89d.	4$\frac{1}{4}$‡	5$\frac{1}{8}$†	5$\frac{3}{8}$†	5$\frac{7}{16}$†	5$\frac{7}{16}$†
Valparaiso ...	Pes. 40	29·00	55†	55†	55·35†	56·05†
Bombay ...	18d.	18$\frac{3}{32}$	18$\frac{5}{32}$	18$\frac{3}{16}$	18$\frac{5}{32}$	18$\frac{1}{8}$
Hong Kong ...	—d.	17$\frac{9}{16}$	15$\frac{1}{4}$‡	15$\frac{7}{16}$‡	15$\frac{1}{2}$‡	15$\frac{3}{4}$‡
Shanghai ...	—d.	22$\frac{3}{4}$	19$\frac{3}{4}$‡	20$\frac{3}{16}$‡	20$\frac{1}{8}$	20$\frac{1}{4}$‡

* Nominal. † Official rate. ‡ Rate in London.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Feb. 4, 1933.	To Feb. 6, 1932.	Expenditure.	To Feb. 4, 1933.	To Feb. 6, 1932.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	148·3	191·3	Nat. Debt Service	257·4	281·2
Surtax	33·3	48·1	Northern Ireland Payments...	5·0	4·9
Estate Duties ...	62·8	54·4	Other Cons. Fund Services...	2·4	2·6
Stamps	12·8	11·7	Supply Services	371·2	361·2
Customs ...	141·1	114·4	Ordinary Expenditure ...	635·9	649·8
Excise	104·7	102·7	Sinking Fund	14·9	26·4
Tax Revenue ...	508·6	527·4	Self-Balancing Expenditure ...	69·6	69·3
Non-Tax Revenue	36·6	48·8	Payment to U.S. Government, December 15, 1932 ...	29·0	—
Ordinary Revenue	545·2	576·2			
Self-Balancing Revenue	69·6	69·3			

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1931.	Tons mn.	Tons thou.	Tons thou.
December	*4·5*	*331*	*422*
1932.			
July	3·6	293	430
August	3·5	259	362
September	3·7	260	430
October	4·1	276	439
November	4·3	268	474
December...	4·3	284	430

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1932.	£ mn.	£ mn.	£ mn.	£ mn.
January	*31·3*	*16·9*	*13·3*	*62·3*
August	28·2	11·7	13·1	53·3
September	30·6	11·2	12·1	54·3
October	35·1	11·9	13·5	60·8
November	34·4	13·7	13·2	61·6
December	32·1	15·6	12·7	60·6
1933.				
January	27·2	15·1	11·5	54·1

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1932.	£ mn.	£ mn.	£ mn.	£ mn.
January	*2·8*	*3·6*	*23·4*	*31·1*
August	2·6	3·4	21·7	28·6
September	2·5	3·2	19·8	26·2
October	2·9	3·9	22·7	30·4
November	3·2	4·1	22·5	31·1
December	2·8	3·9	23·6	32·4
1933.				
January	2·5	3·8	22·1	29·2

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.	1932.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January	11·0	12·0	10·7	12·2	12·6	21·5	22·4
February ...	10·4	10·9	10·4	12·2	13·1	21·7	22·0
March	9·8	9·8	9·5	10·1	14·0	21·5	20·8
April	9·1	9·4	9·5	9·9	14·6	20·9	21·4
May	14·3	8·7	9·8	9·9	15·3	20·8	22·1
June	14·6	8·8	10·7	9·8	15·4	21·8	22·3
July	14·4	9·2	11·6	9·9	16·7	22·6	22·9
August	14·0	9·3	11·6	10·1	17·1	22·7	23·1
September ...	13·7	9·3	11·4	10·0	17·6	23·2	22·9
October ...	13·6	9·5	11·8	10·4	18·7	21·9	21·9
November ...	13·5	9·9	12·1	11·0	19·1	21·4	22·2
December ...	11·9	9·8	11·2	11·1	20·2	20·9	21·7

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (Sept. 16th, 1931 = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1932.					
January	*108·8*	*94·2*	*93·7*	*96·2*	*91·9*
August	102·0	89·6	88·8	89·2	87·7
September	106·0	90·9	89·3	91·3	87·4
October	104·0	88·6	89·1	93·0	86·7
November	103·7	87·4	88·3	92·2	86·2
December	102·3	84·8	88·1	91·3	84·9
1933.					
January	101·4	81·8	87·7	90·6	83·7
January, 1st week	101·7	83·2	87·4	90·8	83·9
January, 2nd week	101·2	83·1	87·7	90·7	83·8
January, 3rd week	101·6	81·8	87·7	90·6	83·5
January, 4th week	100·9	80·5	88·1	90·2	83·4

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1931.						
December ...	*31*	*54*	*90*	*75*	*75*	*47*
1932.						
July	23	54	85–90	65–70	70–75	41
August	23	54	85–90	70	70	41
September ...	25	54	85–90	70–75	70	43
October	25	55	85–90	70–75	70	43
November ...	25	55	85–90	70–75	70	43
December ...	23	55	85	70–75	70–75	42

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
1932.	per qr. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £	per lb. d.
January	*33 10*	*5·47*	*$23\frac{1}{2}$*	*58 6*	*$140\frac{1}{4}$*	3
August	29 10	5·73	$21\frac{3}{4}$	58 6	$142\frac{1}{2}$	$2\frac{5}{16}$
September ...	29 6	6·24	$23\frac{3}{8}$	58 6	$152\frac{13}{16}$	$2\frac{11}{16}$
October	28 8	5·60	$22\frac{1}{8}$	58 6	$151\frac{5}{8}$	$2\frac{7}{16}$
November ...	28 0	5·48	$22\frac{1}{4}$	58 6	$153\frac{11}{16}$	$2\frac{9}{16}$
December ...	26 $10\frac{1}{2}$	5·15	$22\frac{1}{4}$	58 6	$149\frac{7}{8}$	$2\frac{7}{16}$
1933.						
January	27 0	5·21	23	59 6	$145\frac{13}{16}$	$2\frac{5}{16}$